

Italy – Nutraceutical

Double-digit organic growth supports FY expectations

22nd April 2022

Q1-22 PRELIMINARY SALES

RIC: LBM.MI
BBG: LBM IM

In Q1-22, Labomar reported double-digit growth both organically and including the companies acquired in 2021, despite the persistent difficulties in the procurement of some raw materials. The group already implemented a few procedures in order to cope with the current harsh environment, thus still expecting double digit-growth for FY-22.

Rating:

Neutral

Price Target:

€ 11.00

Upside/(Downside): 28.8%

Last Price: € 8.54

Market Cap.: € 157.9m

1Y High/Low: € 15.95 / € 8.02

Avg. Daily Turn. (3M, 6M): € 43k, € 68k

Free Float: 19.5%

Major shareholders:

LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
Absolute	-10.9%	-13.6%	-14.6%
Rel.to FTSE IT Growth	-10.5%	-5.9%	-29.1%
Rel.to CDMO peers	-12.2%	9.7%	-1.3%

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Q1-22 preliminary sales corroborate FY-22 projections. Estimates unchanged

In Q1-22, Labomar reported growing revenues thanks to double-digit organic growth coupled with the full consolidation of the companies acquired in 2021. The group was able to properly face some supply chain related difficulties, such as the shortage of certain raw materials (primary and secondary packaging, namely paper, plastic, and aluminium, as well as a few active principles and excipients) and the absence of employees due to testing positive for Covid-19. Q1-22 sales are in line with CFO SIM's expected growth for FY-22, namely 26.2% YoY (11.8% on a like-for-like basis). Estimates, rating and PT confirmed.

Double-digit organic growth coupled with the consolidation of Welcare and Labiotre

€ m	Q1-22	Q1-21	% YoY
Total Revenues	19.0	14.1	34.4
Labomar	14.2	12.8	11.0
ImportFab	1.4	1.3	6.5
Welcare + Labiotre	3.3	-	n.a.
Like-for-like (Labomar + ImportFab)	15.6	14.1	10.5

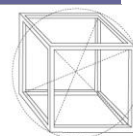
Total revenues amounted to € 19.0m, up by 34.4% YoY. It is worth remembering that Q1-22 includes the full consolidation of the acquired companies Welcare and Labiotre, which were not included in Q1-21. Thus, on a like-for-like basis (namely considering only Labomar and ImportFab), the group reported a 10.5% increase YoY, reaching € 15.6m. Labomar as a stand-alone totalled € 14.2m, up by 11.0% YoY, thanks to the recovery of sales related to cough & cold and probiotic segments, strongly impacted by the pandemic in Q1-21, coupled with increasing revenues stemming from the main key international customers. ImportFab grew by 6.5% YoY despite persistent difficulties in raw materials procurement.

Labomar implemented a few measures to properly manage the current tough scenario

At the beginning of 2022, the economic environment remains tough, as difficulties in the procurement of some raw materials persist, both in terms of lengthening delivery times and increasing costs. Moreover, the Covid-19 pandemic is still causing some operational problems, such as the absence of employees due to testing positive or the reduction in medical representatives' visits to prescribers and pharmacists. Labomar plans to face the current harsh environment by 1) strengthening the group's procurement organisation and looking for new alternative suppliers, 2) incentivising workers in order to lower absenteeism and making more use of temporary workers and 3) avoiding doing business with Russian and Ukrainian customers and suppliers. The group stated it is confident about reaching double-digit growth in 2022.

Labomar, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Value of Production	61.5	66.5	83.3	90.7	97.6
EBITDA	11.3	10.1	14.9	17.1	20.0
EBITDA Adjusted	12.3	10.1	14.9	17.1	20.0
EBIT	7.3	2.4	8.0	9.2	11.7
Net Profit	6.1	8.4	6.0	6.9	8.8
NFP (cash)/debt	3.4	28.2	24.2	19.7	13.4
EBITDA adj. margin	20.0%	15.2%	17.9%	18.8%	20.5%
EPS	0.33	0.45	0.32	0.37	0.48
EPS growth	-	37.2%	-28.4%	15.0%	27.8%
Dividend	0.11	0.10	0.10	0.11	0.14
Dividend Yield	1.3%	1.2%	1.2%	1.3%	1.7%
ROCE	9.4%	2.7%	8.5%	9.2%	10.8%
NWC/Sales	10.2%	17.7%	17.2%	16.9%	16.6%
Free Cash Flow Yield	1.7%	-6.7%	3.7%	4.0%	5.3%
PER x	20.5	24.2	26.4	22.9	18.0
EV/Sales x	2.09	3.47	2.18	1.96	1.76
EV/EBITDA x	10.5	22.8	12.2	10.4	8.6
EV/EBIT x	15.6	96.5	22.6	19.3	14.6



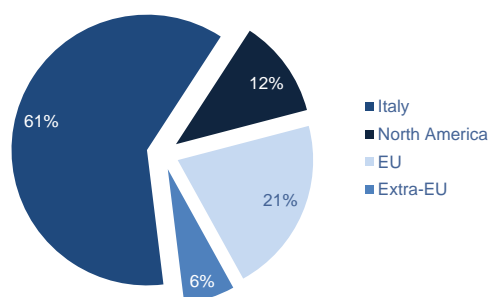


The Company at a Glance

Originating in 1998 from a family pharmacy owned by Mr Bertin, today Labomar is a research-driven full-service B2B Contract Development and Manufacturing Organisation (CDMO). It operates in the dietary supplements and medical devices market and provides global big pharma companies with dietary supplements and medical devices featuring high value-added technological content. Labomar aims to be the reference partner for customers looking for innovative and effective products, able to improve people's wellness. Labomar as a stand-alone reported a 11.5% organic sales CAGR₁₄₋₂₁ mainly as a result of continuous product innovation and the consequent increased share of wallet with pharma corporations. Including M&A, top line showed a 16.7% CAGR_{14-21PF} in the same period, resulting in a wider product portfolio and access to new countries.

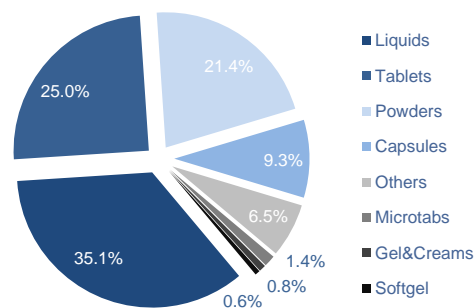
In 2021, total revenues were € 64.5m (39% of which generated abroad), adjusted EBITDA totalled € 10.1m, 15.2% margin and adjusted Net Profit was equal to € 8.4m (12.6% margin). Net Financial Position was € 28.2m. On a pro-forma basis, FY-21 revenues totalled € 74.2m and EBITDA reached € 12.7m, 17.1% margin.

2021 Revenues breakdown by geography*



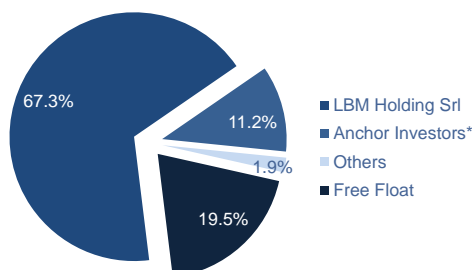
*consolidated figures

... and by pharmaceutical form**



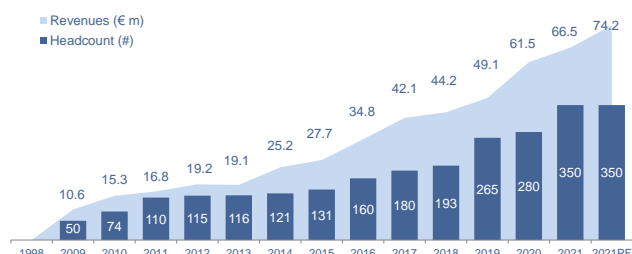
**Labomar stand-alone

Shareholder structure



Source: Company data *subject to lock-up

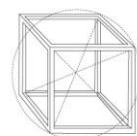
Top line and headcount evolution



Peer group multiples table

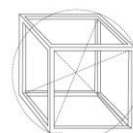
EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Catalent Inc	4.06	3.67	15.9	13.9	22.0	18.4	25.2	21.3
Clover Corporation Ltd	3.60	2.87	22.1	15.9	23.8	16.8	35.0	24.2
Fine Foods & Pharmaceuticals NTM SpA	0.99	0.86	9.8	6.6	29.4	12.8	32.2	16.1
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.3	13.9
Lonza Group AG	7.70	6.86	24.3	20.9	33.8	28.5	39.9	33.8
Probi AB	5.10	4.65	17.4	15.5	26.7	22.9	37.2	32.8
Siegfried Holding AG	3.00	2.85	14.3	13.4	22.5	21.0	26.3	23.7
Median CDMO	3.83	3.27	16.7	14.7	25.3	19.7	32.2	23.7
Biesse SpA	0.44	0.43	4.3	4.1	8.9	7.2	18.1	13.8
Brembo SpA	1.23	1.12	6.9	6.2	11.8	10.3	14.4	13.0
Eurotech SpA	1.10	0.71	6.0	2.8	7.9	3.3	8.3	4.5
Interpump Group SpA	2.56	2.40	11.1	10.2	14.2	12.9	18.3	17.2
Lu-ve SpA	1.10	0.95	9.5	7.6	17.4	14.2	19.8	15.7
Prima Industrie SpA	0.52	0.44	5.2	3.6	9.6	5.4	11.2	6.5
Median Domestic B2B	1.10	0.83	6.5	5.2	10.7	8.7	16.2	13.4
Labomar SpA	2.18	1.96	12.2	10.4	22.6	19.3	26.4	22.9

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	61.1	65.4	82.6	89.9	96.7
Value of Production	61.5	66.5	83.3	90.7	97.6
Raw material and processing	(26.6)	(29.9)	(35.8)	(38.1)	(41.0)
Services	(10.0)	(11.9)	(14.2)	(15.0)	(15.6)
Personnel expenses	(13.5)	(14.3)	(18.1)	(20.4)	(20.8)
Other opex	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)
EBITDA	11.3	10.1	14.9	17.1	20.0
D&A	(4.0)	(7.7)	(6.9)	(7.9)	(8.3)
EBIT	7.3	2.4	8.0	9.2	11.7
Financials	(0.2)	0.2	(0.3)	(0.3)	(0.3)
Re/(Devaluation) of financial assets	0.5	5.9	0.0	0.0	0.0
Forex gain/(loss)	(0.6)	0.5	0.0	0.0	0.0
Pre-Tax profit	6.9	9.0	7.8	8.9	11.4
Income taxes	(0.8)	(0.7)	(1.8)	(2.1)	(2.6)
Minorities	0.0	0.1	0.0	0.0	0.0
Net Profit	6.1	8.4	6.0	6.9	8.8
EBITDA Adjusted	12.3	10.1	14.9	17.1	20.0
EBIT Adjusted	8.2	2.4	8.0	9.2	11.7
Net Profit Adjusted	6.1	8.4	6.0	6.9	8.8
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	6.3	11.8	14.4	15.4	16.2
Net Fixed Assets	36.0	69.2	68.8	69.5	69.7
Equity Investments	1.9	1.0	1.0	1.0	1.0
Other M/L Term A/L	(2.5)	(8.1)	(10.1)	(11.2)	(11.8)
Net Invested Capital	41.7	73.9	74.0	74.6	75.0
Net Financial Debt	3.4	28.2	24.2	19.7	13.4
Minorities	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Group's Shareholders Equity	38.2	45.7	49.9	54.9	61.6
Financial Liabilities & Equity	41.7	73.9	74.0	74.6	75.0
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	6.1	8.4	6.0	6.9	8.8
Depreciation	4.0	7.7	6.9	7.9	8.3
Other non-cash charges	(2.4)	(2.0)	2.1	1.0	0.6
Cash Flow from Oper. (CFO)	7.8	14.1	15.0	15.8	17.7
Change in NWC	0.6	(5.5)	(2.6)	(1.0)	(0.8)
FCF from Operations (FCFO)	8.4	8.6	12.4	14.8	16.9
Net Investments (CFI)	(5.7)	(19.2)	(6.5)	(8.5)	(8.5)
Free CF to the Firm (FCFF)	2.6	(10.6)	5.9	6.3	8.4
CF from financials (CFF)	20.2	(9.8)	(0.8)	(2.9)	(1.0)
Free Cash Flow to Equity (FCFE)	22.8	(20.4)	5.1	3.4	7.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA adj. margin	20.0%	15.2%	17.9%	18.8%	20.5%
EBIT adj. margin	13.4%	3.6%	9.7%	10.1%	12.0%
Net profit adj. margin	9.9%	12.6%	7.2%	7.6%	9.0%
Tax rate	11.6%	8.1%	23.0%	23.0%	23.0%
Op NWC/Sales	10.2%	17.7%	17.2%	16.9%	16.6%
Interest coverage x	30.28	(10.71)	29.58	34.82	42.99
Net Debt/EBITDA x	0.30	2.79	1.62	1.16	0.67
Debt-to-Equity x	0.09	0.62	0.48	0.36	0.22
ROIC	14.6%	11.3%	8.1%	9.2%	11.7%
ROCE	9.4%	2.7%	8.5%	9.2%	10.8%
ROACE	11.7%	2.9%	8.8%	9.4%	11.2%
ROE	15.9%	18.3%	12.0%	12.5%	14.3%
Payout ratio	33.4%	22.1%	30.9%	30.0%	30.0%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	18.48	18.48	18.48	18.48	18.48
Number of shares Fully Diluted # m	18.48	18.48	18.48	18.48	18.48
Average Number of shares Fully Diluted # m	18.48	18.48	18.48	18.48	18.48
EPS stated FD €	0.33	0.45	0.32	0.37	0.48
EPS adjusted FD €	0.33	0.45	0.32	0.37	0.48
EBITDA €	0.61	0.55	0.81	0.92	1.08
EBIT €	0.39	0.13	0.44	0.50	0.63
BV €	2.07	2.47	2.70	2.97	3.33
FCFO €	0.45	0.46	0.67	0.80	0.91
FCFF €	0.14	(0.57)	0.32	0.34	0.45
FCFE €	1.24	(1.10)	0.27	0.18	0.40
Dividend €	0.11	0.10	0.10	0.11	0.14





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DATE	TARGET PRICE	RATING
22/04/2022	€11.00	NEUTRAL
06/04/2022	€11.00	NEUTRAL
11/03/2022	€11.00	NEUTRAL
18/01/2022	€11.00	NEUTRAL
25/11/2021	€11.00	NEUTRAL
21/10/2021	€9.50	NEUTRAL
01/10/2021	€9.50	NEUTRAL
16/07/2021	€11.50	NEUTRAL
21/05/2021	€9.50	NEUTRAL

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- ☐ a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- ☐ a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- ☐ a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

